
Affluent-Dynamics® 2005 Investor Survey

Executive Summary

12-1-05

Online Research Conducted With Affluent-Dynamics Panel
Members Who Have Investable Assets Of \$1 Million Or More

By **Affluent-Dynamics®**, LLC.

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Detailed Findings Available in the Full 49 Page Final Report including what these affluent investors consider their...	
▪ Favorite Mutual Funds	
▪ Preferred way to Purchase Life Insurance	
▪ Perceptions of Long-Term-Care Insurance	

Marketing Research Objectives

To determine key concerns among affluent investors and the implications those concerns have on their investment behavior and confidence in their financial advisors.

Specific issues addressed include...

- Identify key geopolitical and economic concerns.
- Determine who investors rely on most for investment advice and how their concerns about the current investment environment affect their confidence in these advisors.
- Identify which mutual fund companies these investors consider their favorites.
- Determine how these investors prefer to purchase Life Insurance and other perceptions of Long Term Care Insurance.
- Determine the key online information sources for financial and investment information that these investors use.

Methodology

An online survey was conducted by Affluent-Dynamics with a qualified sample of 201 members of the Affluent-Dynamics Panel who have \$1 million or more in investable assets (excluding their primary residence).

The survey was conducted over two days: November 20 and 21, 2005.

Affluent-Dynamics Overview

- ✦ Affluent-Dynamics is a global marketing research and intelligence company that provides companies with practical insights and strategies to grow their businesses.

- ✦ Affluent-Dynamics has created the first dedicated Internet Panel of over 5,000 affluent individuals around the world (over 4,400 in the U.S.). (See summary chart on next page).
 - Panel Members participate in occasional online surveys and qualitative research for major financial institutions, luxury goods manufacturers and other companies that market products and services to the affluent.

 - Affluent-Dynamics has created the Panel through a number of strategic relationships it has with several organizations that serve the affluent.

- ✦ In addition to its Panel of affluent individuals, the company has also created an online panel of almost 1,200 financial advisors for marketing research.

Affluent-Dynamics Panel Composition (Panel of Affluent Individuals)

	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Percentage</u>
HH Income:				
< \$200,000	1171	1003	2174	49.1%
> \$200,000	<u>1574</u>	<u>676</u>	<u>2250</u>	<u>50.9%</u>
Total	2475	1571	4424	100.0%
Investable Assets:				
< \$ 1 Million	1293	1181	2474	55.9%
\$1-4.99 Million	1096	373	1469	33.2%
\$5-9.99 Million	197	53	250	5.7%
\$10 Million & Above	<u>159</u>	<u>72</u>	<u>231</u>	<u>5.2%</u>
Total	2745	1679	4424	100.0%

US-Only as of 10/1/05

Affluent-Dynamics Financial Advisor Panel Composition

Type of Firm	<u>Number</u>	<u>Percent</u>
National Wirehouse	215	18.1%
Independent Brokerage	285	23.9%
Regional Brokerage	107	9.0%
Financial Planning Firm	289	24.3%
Insurance Agency	52	4.4%
Accounting Firm	21	1.8%
Law Firm	22	1.8%
Other	<u>199</u>	<u>16.7%</u>
Total	1,190	100.0%

Total U.S. Advisors As of 10-1-05
(recruitment began 2/05)

Summary Conclusions

Conclusions

Key Concerns and Observations about The U.S. Economy

- ✦ Overall, the most pressing concerns for this group of affluent investors are domestic-related issues that will impact their personal and financial wellbeing. In particular they are concerned about...
 - The rising cost of healthcare (63%), the growing U.S. budget deficit (61%), and increased taxes (54%).
 - Half are concerned about Terrorism (50%) and Rising Oil Prices (49%).
 - Only 23% are concerned about the Decreased Growth in Real Estate Values.
 - Investors were also asked if they had sold any real estate investments in the past year. While only a very small sample (34) had done so, the primary reason they gave for selling was: “I had a sense that the value of [the] real estate was approaching full value so it was prudent to sell”.
- ✦ As a group, these investors are confident in the Sustainability of the U.S. Economy. 44% are “Extremely/Very Confident”; 41% are “Somewhat Confident” and only 15% are “Not Confident at All”.

Conclusions 2:

How Affluent Investors Assess their Investment Performance

- ✦ In spite of their concerns with certain aspects of the domestic economic environment, this group of affluent investors maintains a bullish outlook on both the near and the long-term growth potential of their investments.
 - On average, this group expects a robust annual rate of return of 8.1% over the next 12 months and 9.4% over the next five years.
 - Given their relatively high expectations on returns, it is not surprising that as a group, these investors are comfortable with risk. Their average level of risk tolerance is 6.6 on a 10 point scale where 10 means, "I will take considerable risk in order to achieve the highest possible investment returns".
- ✦ As a group, these are confident investors. 46% rely primarily on their own financial knowledge and expertise to manage their wealth.
 - Overall, this group considers its investment returns (excluding real estate) have been better than the market as a whole since 2000 even though returns may not have been as high as their own personal goals.
 - In terms of real estate, their average returns have beaten the market overall as well as their own financial goals.
- ✦ In terms of what changes they plan to make in their investment accounts over the next 12 months, 60% of these investors plan to increase their assets.

Conclusions 3:

Assessment of Primary Financial Advisor

- ✦ After themselves, the investors in this study rely primarily on Fee-based money/portfolio managers, Independent financial planners and Full service brokerage firms for their financial advice.
- ✦ Over 80% of these investors rate their advisors as “Excellent” or “Very Good” on being “accessible” (84%) and “Taking time to understand needs and goals” (82%).
 - These investors consider their *primary* financial advisor as an investment-oriented advisor and consequently, give that advisor high ratings on investment-related needs such as: Asset Allocation, Good Investment Ideas, Measuring Performance vs. Goals and Retirement Planning.
- ✦ Although about one quarter of these investors are very satisfied with their primary advisor, slightly over half would consider listening to other offerings and another quarter are actively evaluating their current advisor.

Conclusions 4:

Investment Strategies going Forward

- ✦ The investment strategies these investors would consider include technology firms (58%) along with companies that deliver above average dividends (57%) and steadier, non-cyclical companies (56%).
- ✦ More than half of these investors would also consider investments in energy-related companies (54%) and non-U.S. companies whose revenues come primarily from outside the U.S. (53%).
- ✦ A little over a third (35%) of these investors would consider fixed income securities.

Conclusions 5:

Personal Investment Style

Investors were asked to describe themselves on a number of factors that influence their decisions to make trades in their investment portfolios. As a group, these investors...

- Are not momentum traders
- Trade primarily to balance their portfolios
- Don't trade on the latest news
- Don't trade on the advice of friends or family members
- Are more likely to trade on the advice from a broker or other financial professional
- Don't trade to get the highest short-term return
- Do trade to position their portfolio for long-term success

Note: Detailed Personal Investment Style Ratings available in the Full Report.

Conclusions 6

Perspective on Estate Planning

- ✦ While 54% of these investors have an estate plan beyond their basic will, 15% do not and are not considering one.
- ✦ For those investors who either currently have a plan (54%) or are considering developing one (31%)...
 - Only 26% prefer to have their primary financial advisor involved in the estate planning process.
 - 74% prefer to leave the legal aspects to an estate attorney.

Conclusions 7:

Affluent Investor Internet Usage

- ✦ Recognizing that this is an online survey, it is still important to note that the Internet is the primary source of business information for this group of investors.
 - 52% view the Internet as their most important source of business information.
 - 20% view daily newspapers as their most important source.
 - More investors in this study (12%) view Industry Trade Publications than magazines (8%) as their most important source.
 - 6% consider television and 2% radio as their most important source.
- ✦ Among the major sources of online financial information, Forbes.com and WSJ.com are visited on a more regular basis than any other financial sites. Among male investors, Forbes.com has a slight lead over all others.
- ✦ Four out of Five (82%) of these investors use online banking services. Three out of five (62%) buy or sell stocks or perform other financial transactions online.
 - Also, 46% indicate that they respond to online advertising

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